

Message Text

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70

ORIGIN TRSE-00

INFO OCT-01 ARA-10 ISO-00 EB-07 AID-05 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 H-02 L-03 PA-02 PRS-01 /099 R

DRAFTED BY TREAS:IKAYLIN/CLOHMAN

APPROVED BY EB/IFD;ODF:FHTHOMAS

TREAS:JBUSHNELL

LA/MRSD:ABASIK

ARA/CEN:MPLATT

----- 030520

R 250016Z DEC 75

FM SECSTATE WASHDC

TO AMEMBASSY GUATEMALA

UNCLAS STATE 303278

E.O. 11652: N/A

TAGS: EFIN, GT

SUBJECT:IDB LOANS FOR CHIXOY POWER PROJECT

1. ON DECEMBER 18 IDB APPROVED FINANCIAL PACKAGE FOR CHIXOY HYDROELECTRIC PROJECT CONSISTING OF DOLS 45 MILLION FROM FUND FOR SPECIAL OPERATIONS (FSO), DOLS 35 MILLION FROM VENEZUELAN TRUST FUND (VTF), AND DOLS 10 MILLION FROM ORDINARY CAPITAL (OC). U.S. APPROVED LOANS AND ARRANGEMENT FOR UNRESTRICTED USE OF FSO FUNDS. RATIONALE FOR OPENING FSO TO INTERNATIONAL COMPETITIVE BIDDING IS POSSIBLE NEED FOR COORDINATION BETWEEN CONTRACTORS HANDLING OC/BTF AND FSO PORTIONS OF PROJECT. COMPLEXITY AND SIZE OF PROJECT COULD MAKE SEPARATION OF PROCUREMENT PROCEDURES UNWISE AND UNECONOMICAL.

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2. IDB REPRESENTATIVE CASTILLO'S STATEMENTS REPORTED REFTEL WERE CORRECT WITH REGARD TO BIDDING BEING OPENED UP BY SHIFTING ONE-HALF OF FINANCING FROM FSO TO VTF AND OC. APPRECIATE EMBASSY'S REPORT ON POSSIBLE IMPLICATIONS FOR

U.S. PROCUREMENT ON PROJECT. YOUR INFORMATION WAS GIVEN
CONSIDERATION IN DETERMINATION OF U.S. POSITION.
HOWEVER, FACTORS REGARDING APPROPRIATE USE OF IDB RESOURCES
WERE OVERRIDING. PROPOSED DOLS 90 MILLION FSO LOAN WOULD
HAVE BEEN LARGEST FSO LOAN EVER APPROVED AND WAS JUDGED TO

BE EXCESSIVE USE OF SCARCE RESOURCES FOR SINGLE PROJECT.
ALSO REVENUE PRODUCING CHARACTER OF PROJECT MADE LARGE
FSO LOAN INAPPROPRIATE. FINALLY, WILLINGNESS OF
VENEZUELA TO PERMIT USE OF VTF AND WILLINGNESS OF
GUATEMALA TO ACCEPT HARDER OC/VTF TERMS ON ONE-HALF
OF TOTAL FINANCING WERE CONSIDERED TO BE IMPORTANT AND
DESIRABLE MODIFICATIONS IN THE ORIGINAL PROPOSAL.

3. WE CONTINUE TO HAVE GREAT INTEREST IN U.S. PROCUREMENT
AND STILL HOPE IMPROVED COMPETITIVE POSITION AND GROWING
ENGINEERING EXPERIENCE MIGHT PERMIT U.S. CONTRACTORS TO
OVERCOME EXISTING EUROPEAN DOMINATION OF POWER DEVELOPMENT
IN GUATEMALA AS DESCRIBED IN REFTEL. WOULD APPRECIATE
ONGOING REPORTING ON AWARD OF BIDS AS CHIXOY PROJECT
PROGRESSES. KISSINGER

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